

CDC INVESTMENT POLICY 2009 - 2013

1. Introduction and Objective

- 1.1 CDC Group plc (“CDC”) is a core part of the United Kingdom’s international development programme.

No country has succeeded in reducing poverty in a sustainable manner in the absence of economic growth. Commercially sustainable private sector businesses are critical to such growth: they employ and train people, pay taxes, invest in research and development, and build and operate infrastructure and services.

CDC’s objective therefore is to invest in the creation and growth of viable private businesses in poorer developing countries to contribute to economic growth for the benefit of the poor; and to mobilise private investment in these markets both directly and by demonstrating profitable investments.

2. CDC Universe

- 2.1 Capital invested by CDC in risk capital investments from 1 January 2009 (the “Start Date”) shall be deployed in and for the immediate or prospective benefit of a country or countries listed in Appendix 1 (the “CDC Universe”).

- 2.2 The CDC Universe consists of developing countries, which are defined by World Bank 2006 data as countries with a per capita gross national income (“GNI”) below US\$11,115 per annum. For the purposes of this investment policy (the “Policy”), low income countries (“LICs”) as defined by World Bank 2006 data are those with a per capita GNI below US\$905 per annum; middle income countries (“MICs”) as defined by World Bank 2006 data are those with a per capita GNI between US\$905 and US\$11,115 per annum; and sub-Saharan Africa (“SSA”) comprises the countries specified as such in Appendix 1.

- 2.3 Where an Investment is to be made in and for the immediate or prospective benefit of a country, the requirement set out in Section 2.1 shall be deemed satisfied if, at the date of the Investment, the Investment:

- 2.3.1 is in the securities of a company or other body corporate which has its principal business or headquarters, or is a holding company of a corporate group that has its principal business or headquarters, located or organised in a country in the CDC Universe; or
- 2.3.2 is predominantly in newly issued securities of a company or other body corporate which does not have its principal business headquartered, located or organised in a country in the CDC Universe but which are otherwise issued for the immediate or prospective benefit of a country in the CDC Universe, such as a new issue of securities where the net proceeds of issue are to be dedicated to businesses or projects situated in a country in the CDC Universe.

For the purposes of the Policy, the expression “an Investment is to be made in and for the immediate or prospective benefit of a country” shall mean an investment which promotes the economic growth of a country or countries in the CDC Universe (in a way that contributes to CDC’s objective as set out in Section 1.1).

2.4 In determining for the purposes of Section 2.3 whether a company or other body corporate has its principal business headquartered, located or organised in a country in the CDC Universe, all reasonably relevant factors shall be considered including (without limitation): (a) the location of the premises, employees and senior management of each of its businesses; and (b) the source of turnover of each of its businesses and such factors shall be weighted as appropriate in all the circumstances.

2.5 If, by 31 December 2013, the result of the calculation set out below is equal to or greater than 10, the requirement set out in Section 2.1 shall not have been satisfied:

$$(Z/Y)*100$$

where: "Z" is the capital invested in Investments during the Policy Period which are deemed to be Investments in a country in the CDC Universe pursuant to Section 2.3.2, and "Y" is the aggregate capital invested in the Policy Period.

3. CDC Investment Code

3.1 Capital invested by CDC from the Start Date shall be invested in accordance with the investment code detailed in Appendix 2 (the "Investment Code").

4. Investment Policy Targets and Monitoring

4.1 The provisions relating to the investment targets for the Policy from the Start Date to 31 December 2013 (the "Policy Period") are set out in Sections 4.3 to 4.5 (the "Policy Targets").

4.2 The provisions relating to the monitoring of CDC's performance against the Policy Targets during the Policy Period are set out in Sections 4.6 to 4.12.

4.3 The Policy Targets relate to Investments to which CDC commits capital before the Start Date (the "Old Book") and on or after the Start Date (the "New Book").

4.4 The Policy Targets for the Old Book are as follows:

4.4.1 New Investments shall be at least 40% in LICs and 27% in SSA. Follow-on investments in such new Investments shall be treated as Investments under the Old Book;

4.4.2 Whilst CDC does not expect to sell Investments to meet the Policy Targets for the Old Book, it may do so in its absolute discretion;

4.4.3 CDC shall be expected to procure that Investments under the Old Book (and under the previous CDC investment policy ("Previous Policy")) comply with the 70:30 and 50:50 targets under the Previous Policy.

4.5 The Policy Targets for the New Book are as follows:

4.5.1 New Investments shall be at least 75% in LICs and 50% in SSA except for those in small and medium-sized enterprise funds ("SME Funds") in MICs. CDC may commit up to £125m in SME Funds in MICs during the Policy Period.

4.5.2 The maximum portfolio company investment size for SME Funds shall at the date of initial SME Fund portfolio company investment be no greater

than US\$10 million (in 2007 terms, as adjusted by World Bank estimates of US\$ inflation) per SME Fund portfolio company investment and CDC shall actively seek to support SME Funds that commit capital to smaller portfolio company investments including those below US\$2 million per SME Fund portfolio company investment.

- 4.6 The Policy Targets shall be measured at calendar year ends. For the Old Book, the Policy Targets shall run on a five year rolling average basis until all commitments to Investments have been drawn down or cancelled. For the New Book, the Policy Targets shall be measured by cumulative new Investments. For the avoidance of doubt, year 1 shall be measured alone; year 2 shall be measured on the cumulative total of year 1 and year 2 new Investments and this calculation shall continue to 31 December 2013 when the Policy Targets shall revert to a five year rolling average basis.
- 4.7 By no later than 30 April 2009 and thereafter by no later than 30 April annually, the board of CDC (“Board”) shall confirm to the Department for International Development (“DFID”) that CDC is on target to meet the Policy Targets at the end of the Policy Period, namely:
- 4.7.1 New Investments under the Old Book shall be at least 40% in LICs and 27% in SSA
- 4.7.2 New Investments under the New Book shall be at least 75% in LICs and 50% in SSA (except for SME Funds in MICs, where the total commitment and investment shall not exceed £125m).
- 4.8 The Board shall instruct CDC’s external auditors to review the confirmation referred to in Section 4.7 during the preparation of CDC’s annual report and accounts (the “Annual Report and Accounts”) and to confirm that the Board has credible plans to achieve its Policy Targets by 31 December 2013. The Board shall procure that the confirmation is included in each Annual Report and Accounts commencing with the Annual Report and Accounts for the year ended 31 December 2009.
- 4.9 Investments under the New Book shall be measured annually from 31 December 2010 and shall fall within the following tolerance levels:
- 4.9.1 LICs: 50% for the 2 years to 31 December 2010; 60% for the 3 years to 31 December 2011; 70% for the 4 years to 31 December 2012, reaching 75% for the 5 years to 31 December 2013;
- 4.9.2 SSA: 35% for the 2 years to 31 December 2010; 40% for the 3 years to 31 December 2011; 45% for the 4 years to 31 December 2012, reaching 50% for the 5 years to 31 December 2013
- 4.10 If the Board fails to (i) provide confirmation to DFID pursuant to Section 4.7; and (ii) procure that such confirmation is included in the Annual Report and Accounts pursuant to Section 4.8 for the year ended 31 December 2010 and thereafter:
- 4.10.1 CDC’s employees shall not receive long term incentive payments (“LTIP”) in respect of the LTIP ending in the year for which the Board fails to provide confirmation nor shall any LTIP in respect of that year be carried forward.
- 4.10.2 The business performance index of the short term incentive payment scheme (“STIP”) shall be reduced by 50% in respect of the year for

which the Board fails to provide confirmation, thereby reducing by half the overall STIP that would otherwise have been available for allocation.

- 4.11 The Annual Report and Accounts shall provide an analysis of performance against the Policy Targets including the amount invested in each of LICs, MICs and SSA during the preceding accounting year, capital returned from Investments during the preceding accounting year and the difference between the two amounts.
- 4.12 DFID shall review CDC's performance against the Policy Targets by 31 December 2010 and assess progress and challenges to such date. DFID shall also review the monitoring process by 31 December 2010 to check its effectiveness and inform the Board in writing of the outcome of both reviews by 31 January 2011.

5. Indirect Investments

- 5.1 CDC typically commits its capital to investment funds managed by third party fund managers. Accordingly, whilst it usually agrees investment guidelines relating to where its capital may be invested with such managers, CDC does not exercise its own discretion as to which country or countries in the CDC Universe will benefit from individual Investments. CDC will take this into account when committing its capital to investment funds managed by third party fund managers so as to ensure compliance with the Policy Targets.

6. Amendments to Classifications

- 6.1 Appendix 1 lists the countries comprising the CDC Universe and those classified as LICs and MICs. The classifications shall be reviewed every three years to take account of changes reported in the most recent World Bank data available at the time of the review, on the basis set out in Section 6.3. Changes to Appendix 1 will be approved by the Board and notified to DFID. In the event that the World Bank no longer provides appropriate data, an alternative source of data will be chosen by CDC, subject to the approval of DFID
- 6.2 If a new sovereign state is established after the Start Date, such state shall automatically be regarded as a country in SSA or South Asia (as appropriate) in the event that it falls within the same geographical area as any of the countries that are designated as countries of SSA or South Asia in Appendix 1.
- 6.3 New countries may be added to the CDC Universe if the World Bank reports that their per capita GNI rating has changed so that they fall into the World Bank's low or middle income categories. Similarly, countries that are no longer classified in either of these categories may be removed from the CDC Universe and will no longer be eligible for any new Investment. Countries may be reclassified as low income countries in the event that their per capita GNI rating is reported by the World Bank as falling to US\$905 per annum or less. Similarly, countries whose per capita GNI rating is reported by the World Bank as rising above US\$905 per annum and US\$11,115 per annum may be reclassified so that they are no longer LICs or MICs respectively. Should a country that represents 10% or more of CDC's portfolio become eligible to be reclassified, the Board and DFID will meet to review that reclassification before deciding whether and how to reclassify.
- 6.4 Changes to the CDC Universe shall take effect from the date of approval by the Board and this Policy shall be deemed to have been amended with effect from such date. Existing Investments, or Commitments to such existing Investments, in countries no longer deemed to be LICs or no longer deemed to be part of the CDC Universe will not be affected, but any new Investments (insofar as they do not relate

to Commitments previously made) or new Commitments to Investments in those countries thereafter will be made in accordance with their revised status. For the avoidance of doubt, any Investment by CDC via an investment fund in a particularly country shall be regarded as being made in a country that has the classification attributed to it at the time the Commitment to that investment fund was made.

7. Short Term Investments

- 7.1 CDC shall not be restricted as to the proportion of its assets which may be retained in cash or other short term financial instruments in circumstances where CDC considers this to be in the best interests of CDC and DFID, or consistent with CDC's objective and CDC expects such investments to be of a temporary nature.

8. Intermediary Companies

- 8.1 CDC may invest through one or more investment vehicles (which may be domiciled in a country outside the CDC Universe), if the Board considers it appropriate to do so for fiscal, regulatory or other reasons. However, it should seek to avoid those jurisdictions listed as uncooperative tax havens by the Organisation for Economic Co-operation and Development or tax regimes listed as harmful under the European Union Code of Conduct for Business Taxation.

9. Added Value

- 9.1 CDC shall work with DFID to determine and measure the ways in which (i) CDC's capital can be differentiated from other capital invested in the CDC Universe; and (ii) CDC adds value to the countries in which it invests.
- 9.2 CDC will encourage the fund managers of investee funds and the companies in which it directly invests, to operate in ways that, in addition to generating financial returns that meet the expectations of investors, provide other inputs into the private sector and community at large. These will include, by way of example, employment, infrastructure benefits, social and environmental benefits, application of business principles and good governance (through the application of the Investment Code), and the creation of ancillary support businesses.

10. Mobilising Private Investment

- 10.1 As set out in Section 1.1 the mobilisation of private investment is an important objective for CDC and DFID. In reaching a decision to invest, an important factor will be the extent to which CDC's presence as an investor will act as a catalyst for third parties to invest alongside CDC and therefore assist CDC to fulfill its objective.

11. Commercial Considerations

- 11.1 CDC aims to promote the creation and long term growth of viable private businesses in poorer developing countries. CDC always seeks to play a developmental role when it invests its capital. This role will vary depending on the nature of investment. CDC is able to commit capital to investment funds with a range of requirements and expectations as to risk, return and time horizon. For example, if CDC is seeking to correct a market failure which has arisen as a result of prospective investors overestimating risk in a particular country, then it may be appropriate for CDC to commit to Investments that offer a rate of return compatible with the investment risk that is being undertaken, thereby producing a demonstration effect, which is key to mobilising private finance. In other cases, CDC may wish to contribute to the building

of a market (for example by committing capital to a reconstruction fund in a post-conflict country), and may be prepared to accept lower rates of return with a longer time horizon and seek to mobilise co-investment from investors with these expectations. In all cases, however, there shall be potential for successor funds to generate higher rates of return and attract private finance.

12. Reporting

- 12.1 CDC shall report to DFID every three months on: (i) its financial results; (ii) its monitoring and evaluation of development effects; (iii) any issues arising from the application of the Investment Code; and (iv) any issues arising from the implementation of this Policy
- 12.2 CDC shall report to DFID annually with regard to the Policy Targets, the Investment Code and development effects in accordance with this Policy.
- 12.3 CDC shall provide DFID annually with an independent audit of its implementation processes in relation to the Investment Code.

13. Prior Policies

- 13.1 This Policy shall supersede the Previous Policy and is adopted by resolution of the shareholders of CDC passed on [] November 2008 to take effect from 1st January 2009

14. Defined Terms and Interpretation

“Annual Report” shall have the meaning given it in Section 4.8.

“Board” shall have the meaning given to it in the articles of association of CDC.

“Capital invested” shall mean the actual monetary cost of investments in businesses by CDC (whether made directly or indirectly).

“CDC Universe” shall have the meaning given to it in Section 2.1.

“Commitments” shall mean capital commitments to investment funds.

“DFID” shall have the meaning given to it in Section 4.7.

“Investment” shall mean the cash flows associated with a risk capital investment (including guarantees and indemnities) and/or a developmental programme made or committed to be made on CDC’s account and effected for the benefit of a country or countries in the CDC Universe For the purposes of this definition, a cash flow shall be deemed to take place on the date on which a guarantee or indemnity is given by CDC.

“Investment Code” shall have the meaning given to it in Section 3.1.

“LICs” shall have the meaning given to it in Section 2.2.

“LTIP” shall have the meaning given to it in Section 4.10.1.

“MICs” shall have the meaning given to it in Section 2.2.

“New Book” shall have the meaning given to it in Section 4.3.

“Old Book” shall have the meaning given to it in Section 4.3.

“Policy” shall mean the investment policy of CDC from 1 January 2009.

“Policy Period” shall have the meaning given to it in Section 4.1.

“Policy Targets” shall have the meaning given to it at Section 4.1.

“SME Funds” shall have the meaning given to it in Section 4.5.1.

“SSA” shall have the meaning given to it in Section 2.2.

“Start Date” shall have the meaning given to it in Section 2.1.

“STIP” shall have the meaning given to it in Section 4.10.2.

Appendix 1

CDC Universe

Afghanistan		LIC
Albania		MIC
Algeria		MIC
Angola	SSA	MIC
Anguilla		MIC
Argentina		MIC
Armenia		MIC
Ascension		MIC
Azerbaijan		MIC
Bangladesh	South Asia	LIC
Barbados		MIC
Belarus		MIC
Belize		MIC
Benin	SSA	LIC
Bhutan		MIC
Bolivia		MIC
Bosnia and Herzegovina		MIC
Botswana	SSA	MIC
Brazil		MIC
Burkina Faso	SSA	LIC
Burundi	SSA	LIC
Cambodia		LIC
Cameroon	SSA	MIC
Cape Verde	SSA	MIC
Central African Republic	SSA	LIC
Chad	SSA	LIC
Chile		MIC
China		MIC
Colombia		MIC
Comoros and Mayotte	SSA	LIC
Congo (Democratic Republic of)	SSA	LIC
Congo (Republic of)	SSA	MIC
Cook Islands		MIC
Costa Rica		MIC
Côte d'Ivoire	SSA	LIC
Croatia		MIC
Cuba		MIC
Djibouti	SSA	MIC
Dominica		MIC
Dominican Republic		MIC
Ecuador		MIC
Egypt		MIC
El Salvador		MIC
Equatorial Guinea	SSA	MIC
Eritrea	SSA	LIC
Ethiopia	SSA	LIC

Fiji		MIC
Gabon	SSA	MIC
Gambia	SSA	LIC
Georgia		MIC
Ghana	SSA	LIC
Grenada		MIC
Guatemala		MIC
Guinea	SSA	LIC
Guinea-Bissau	SSA	LIC
Guyana		MIC
Haiti		LIC
Honduras		MIC
India	South Asia	LIC
Indonesia		MIC
Iran		MIC
Iraq		MIC
Jamaica		MIC
Jordan		MIC
Kazakhstan		MIC
Kenya	SSA	LIC
Kiribati		MIC
Kyrgyzstan		LIC
Laos		LIC
Lebanon		MIC
Lesotho	SSA	MIC
Liberia	SSA	LIC
Libya		MIC
Macedonia		MIC
Madagascar	SSA	LIC
Malawi	SSA	LIC
Malaysia		MIC
Maldives		MIC
Mali	SSA	LIC
Marshall Islands		MIC
Mauritania	SSA	LIC
Mauritius	SSA	MIC
Mexico		MIC
Micronesia		MIC
Moldova		MIC
Mongolia		LIC
Montserrat		MIC
Morocco		MIC
Mozambique	SSA	LIC
Myanmar		LIC
Namibia	SSA	MIC
Nauru		MIC
Nepal		LIC
Nicaragua		MIC
Niger	SSA	LIC
Nigeria	SSA	LIC

Niue		MIC
North Korea		LIC
Oman		MIC
Pakistan	South Asia	LIC
Palau		MIC
Palestinian Adm. Areas		MIC
Panama		MIC
Papua New Guinea		LIC
Paraguay		MIC
Peru		MIC
Philippines		MIC
Pitcairn Islands		MIC
Russia		MIC
Rwanda	SSA	LIC
Samoa		MIC
Sao Tome and Principe	SSA	LIC
Senegal	SSA	LIC
Serbia and Montenegro		MIC
Seychelles	SSA	MIC
Sierra Leone	SSA	LIC
Solomon Islands		LIC
Somalia	SSA	LIC
South Africa	SSA	MIC
Sri Lanka	South Asia	MIC
St Helena		MIC
St. Kitts and Nevis		MIC
St Lucia		MIC
St. Vincent and the Grenadines		MIC
Sudan	SSA	LIC
Suriname		MIC
Swaziland	SSA	MIC
Syria		MIC
Tajikistan		LIC
Tanzania	SSA	LIC
Thailand		MIC
Timor-Leste		LIC
Togo	SSA	LIC
Tokelau		MIC
Tonga		MIC
Tunisia		MIC
Turkey		MIC
Turkmenistan		MIC
Turks & Caicos Islands		MIC
Tuvalu		LIC
Uganda	SSA	LIC
Ukraine		MIC
Uruguay		MIC
Uzbekistan		LIC
Vanuatu		MIC
Venezuela		MIC
Vietnam		LIC

Wallis & Futuna		MIC
West Bank and Gaza		MIC
Yemen		LIC
Zambia	SSA	LIC
Zimbabwe	SSA	LIC

Appendix 2

INVESTMENT CODE

CDC's mission is to generate wealth in emerging markets, particularly in poorer countries, by providing capital for investment in sustainable and responsibly managed private sector businesses.

CDC invests in the creation and growth of commercially viable private businesses in poor countries. Commercially sustainable businesses, supported by CDC, play a vital part in economic development: they employ and train people, pay taxes, invest in research and development, and build and operate infrastructure and services. This contributes to economic growth, which benefits poor people. CDC also mobilises private investment in these markets both directly and by demonstrating profitable investments.

Sustainable private sector development requires responsible business management of environmental, social and governance ("ESG") matters. This Investment Code defines CDC's principles, objectives, policies and management systems for sustainable and responsible investment with respect to ESG.¹ It also includes an Exclusion List, which specifies businesses and activities in which CDC will *not* invest.²

1. PRINCIPLES

CDC, and the businesses in which its capital is invested, will:

- comply with all applicable laws;
- as appropriate, minimise adverse impacts and enhance positive effects on the environment, workers, and all stakeholders;
- commit to continuous improvements with respect to management of the environment, social matters and governance;
- work over time to apply relevant international best practice standards,³ with appropriate targets and timetables for achieving them; and
- employ management systems which effectively address ESG risks and realise ESG opportunities as a fundamental part of a company's value.

¹ CDC's Investment Code is compatible with the 2006 International Finance Corporation ("IFC") Policy and Performance Standards on Social and Environmental Sustainability ("IFC Performance Standards"). See www.ifc.org/ifcext/enviro.nsf/Content/PerformanceStandards. A Fund Manager that follows the IFC Performance Standards fulfils the requirements on the Environment and Social Matters set out in this Investment Code. The Investment Code is also compatible with the 2007 agreement for common environmental and social standards among the European Development Finance Institutions ("EDFI Rome Consensus").

² CDC's Exclusion List is compatible with those of the IFC and the EDFI Rome Consensus.

³ As referenced in this Investment Code and as may develop over time.

2. OBJECTIVES AND POLICIES

2.a. THE ENVIRONMENT

Objectives

- To minimise adverse impacts and enhance positive effects on the environment, as relevant and appropriate, from the businesses in which CDC's capital is invested.
- To encourage the businesses in which CDC's capital is invested to make efficient use of natural resources and to protect the environment wherever possible.
- To support the reduction of greenhouse gas emissions which contribute to climate change from the businesses in which CDC's capital is invested.⁴

Policy

Businesses in which CDC's capital is invested will:

- operate in compliance with applicable local and national laws (as a minimum);
- assess the environmental impact of their operations as follows:
 - identify potential risks and appropriate mitigating measures through an environmental impact assessment where business operations could involve loss of biodiversity or habitat, emission of significant quantities of greenhouse gases, severe degradation of water or air quality, substantial solid waste or other significant negative environmental impacts;⁵ and
 - consider the potential for positive environmental impacts from business activities; and
- take appropriate actions to mitigate environmental risks, ameliorate environmental damage, and enhance positive effects as follows:
 - where an activity is assessed to present significant environmental risks, work over time to apply the relevant IFC policies and guidelines,⁶ if these are more stringent than local legislation, with appropriate targets and timetable for improvements; and

⁴ In line with the 1994 United Nation Framework Convention on Climate Change and the associated 2005 Kyoto Protocol ("UN Framework Convention"), see www.unfccc.int/2860.php as may be amended from time to time.

⁵ Activities with potential significant adverse environmental impacts that are diverse, irreversible or unprecedented; mindful of potential cumulative, secondary or synergistic impacts that may occur as a consequence.

⁶ The IFC Performance Standards and the 2007 IFC Environmental, Health and Safety Guidelines ("IFC EHS Guidelines"), as may be amended from time to time and adopted by CDC. IFC EHS Guidelines include general guidelines and industry sector guidelines for forestry, agribusiness / food production (including fisheries), general manufacturing, oil and gas, infrastructure, chemicals (including pharmaceuticals), mining and power. See www.ifc.org/ifcext/enviro.nsf/Content/PerformanceStandards and www.ifc.org/ifcext/policyreview.nsf/Content/EHSGuidelinesUpdate.

- as appropriate, work over time towards international environmental best practice standards.⁷

2.b. SOCIAL MATTERS

2.b.i. LABOUR AND WORKING CONDITIONS

Objectives

- To require the businesses in which CDC's capital is invested to treat all their employees and contractors fairly and to respect their dignity, well-being and diversity.
- To encourage the businesses in which CDC's capital is invested to work over time towards full compliance with the International Labour Organization ("ILO") Fundamental Conventions⁸ and with the United Nations ("UN") Universal Declaration of Human Rights.⁹

Policy

Businesses in which CDC's capital is invested will:

- comply with applicable local and national laws (as a minimum);
- not employ or make use of forced labour of any kind;
- not employ or make use of harmful child labour;¹⁰
- pay wages which meet or exceed industry or legal national minima;
- treat their employees fairly in terms of recruitment, progression, terms and conditions of work and representation, irrespective of gender, race, colour, disability, political opinion, sexual orientation, age, religion, social or ethnic origin, or HIV status;
- allow consultative work-place structures and associations which provide employees with an opportunity to present their views to management; and
- for remote operations involving the relocation of employees for extended periods of time, ensure that such employees have access to adequate housing and basic services.

⁷ Including the range of internationally certifiable environmental standards issued by the International Organization for Standardization ("ISO"), the ISO 14000 series, notably including standards for environmental management systems (ISO 14001) and greenhouse gas emissions (ISO 14064-65), as may be amended from time to time. See www.iso.org.

⁸ The ILO Fundamental Conventions are the Conventions on Freedom of Association and Collective Bargaining; Forced Labour; Child Labour; and Non-Discrimination, as may be amended from time to time. See www.ilo.org/ilolex/english/docs/declworld.htm for the texts of these Conventions and a list of the countries that have ratified each of them.

⁹ See www.un.org/Overview/rights.html

¹⁰ As defined by the ILO C138 Minimum Age Convention from 1973 and the ILO C182 Worst Forms of Child Labour Convention from 1999. See www.ilo.org/ilolex/english/docs/declworld.htm

2.b.ii. HEALTH AND SAFETY

Objectives

- To attain safe and healthy working conditions for employees and contractors of the businesses in which CDC's capital is invested.
- To safeguard the health and safety of all those affected by the businesses in which CDC's capital is invested.

Policy

Businesses in which CDC's capital is invested will:

- comply with applicable local and national laws (as a minimum);
- assess the health and safety risks arising from work activities; and
- take appropriate actions to eliminate or reduce risks to health and safety as follows:
 - where an activity is assessed to present significant health and safety risks,¹¹ work over time to apply the relevant IFC policies and guidelines,¹² if these are more stringent than local legislation, with appropriate targets and timetable for improvements; and
 - as appropriate, work over time towards international best practice standards for health and safety.¹³

2.b.iii. OTHER SOCIAL MATTERS

Objectives

- To be objective, consistent and fair with all stakeholders of the businesses in which CDC's capital is invested.
- To recognise and, as appropriate, promote the social development impact from the businesses in which CDC's capital is invested.

Policies

Businesses in which CDC's capital is invested will:

- take account of their impact on employees, contractors, the local community and all others affected by their operations as follows;

¹¹ Activities that could have a severe health or safety impact for workers or affected communities.

¹² The IFC Performance Standards and the IFC EHS Guidelines, as may be amended from time to time and adopted by CDC. See www.ifc.org/ifcext/enviro.nsf/Content/PerformanceStandards and www.ifc.org/ifcext/policyreview.nsf/Content/EHSGuidelinesUpdate.

¹³ Including OHSAS 18001, the international occupational health and safety management system specification, and industry specific international good practice standards related to the safety of product use, e.g. the international Good Manufacturing Practice ("GMP") standards for food and pharmaceutical products promoted by the World Health Organization ("WHO"), see www.who.org.

- identify potential adverse effects and appropriate mitigating measures through a social impact assessment in cases involving resettlement, critical cultural heritage, indigenous peoples, non-local labour or other issues where the negative impact could be significant;¹⁴ and
- consider social development contributions; and
- take appropriate actions to mitigate risks, ameliorate negative impacts, and enhance positive effects.¹⁵

2.c. GOVERNANCE: BUSINESS INTEGRITY AND GOOD CORPORATE GOVERNANCE

Objectives

- To ensure that CDC, and the businesses in which CDC's capital is invested, exhibit honesty, integrity, fairness, diligence and respect in all business dealings.
- To enhance the good reputation of CDC.
- To promote international best practice in relation to corporate governance in the businesses in which CDC's capital is invested.¹⁶

Policy

CDC, and the businesses in which CDC's capital is invested, will:

- comply with all applicable laws and promote international best practice,¹⁷ including those laws and international best practice standards intended to prevent extortion, bribery and financial crime;
- uphold high standards of business integrity and honesty;
- deal with regulators in an open and co-operative manner;
- prohibit all employees from making or receiving gifts of substance in the course of business;
- prohibit the making of payments as improper inducement to confer preferential treatment;
- prohibit contributions to political parties or political candidates, where these could constitute conflicts of interest;

¹⁴ Activities with potential significant adverse social impacts that are diverse, irreversible or unprecedented.

¹⁵ As relevant, by applying IFC Performance Standards on Land Acquisition and Involuntary Resettlement; Indigenous Peoples; and Cultural Heritage; as may be amended from time to time and adopted by CDC. See www.ifc.org/ifcext/enviro.nsf/Content/PerformanceStandards.

¹⁶ Including the 2004 Organization for Economic Cooperation and Development ("OECD") Principles of Corporate Governance, as may be amended from time to time. See www.oecd.org.

¹⁷ Including the 2005 UN Anti-Corruption Convention, see www.unodc.org/unodc/en/treaties/CAC/index.html; the 1997 OECD Anti-Bribery Convention, see www.oecd.org; and, as relevant, the 2005 Extractive Industries Transparency Initiative ("EITI"), see www.eitransparency.org; as may be amended from time to time.

- properly record, report and review financial and tax information;¹⁸
- promote transparency and accountability grounded in sound business ethics;
- use information received from its partners only in the best interests of the business relationship and not for personal financial gain by any employee;
- clearly define responsibilities, procedures and controls with appropriate checks and balances in company management structures; and
- use effective systems of internal control and risk management covering all significant issues, including environmental, social and ethical issues.

3. EXCLUSIONS

CDC's capital will not be invested in the following businesses or activities:

- production of or trade in any product or activity deemed illegal under applicable local or national laws or regulations, or banned by global conventions and agreements, such as certain:
 - hazardous chemicals, pesticides and wastes;¹⁹
 - ozone depleting substances;²⁰ and
 - endangered or protected wildlife or wildlife products;²¹
- production of or trade in arms, i.e., weapons, munitions or nuclear products, primarily designed or primarily designated for military purposes; or
- production of, use of or trade in unbonded asbestos fibres.²²

CDC's capital will not be invested in businesses for which the following activities or products are, or are intended to be, a significant source of revenue:

- gambling;

¹⁸ CDC promotes the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), see www.iasb.org; and the International Private Equity and Venture Capital Valuation Guidelines ("IPEVC"), see www.privateequityvaluation.com.

¹⁹ Including those specified in the 2004 Stockholm Convention on Persistent Organic Pollutants ("POPs"), see www.pops.int; the 2004 Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade, see www.pic.int; and the 1992 Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, see www.basel.int; as may be amended from time to time.

²⁰ As covered in the 1999 Montreal Protocol on Substances that Deplete the Ozone Layer, see www.ozone.unep.org, as may be amended from time to time.

²¹ As covered in the 1975 Convention on International Trade in Endangered Species or Wild Flora and Fauna ("CITES"), see www.cites.org, as may be amended from time to time.

²² This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

- pornography; or
- tobacco or tobacco related products.²³

4. MANAGEMENT SYSTEMS FOR CDC's FUND MANAGERS²⁴

In order to implement CDC's Investment Code effectively, CDC requires its Fund Managers to enter into a formal agreement pursuant to which each Fund Manager commits to an investment undertaking similar in substance to sections 1 – 4 of this Investment Code.²⁵

Where Fund Managers have effective control or significant influence over portfolio companies,²⁶ CDC requires its Fund Managers to procure that such portfolio companies sign an undertaking confirming that they will operate in line with sections 1 – 3 of this Investment Code.

CDC also requires its Fund Managers to establish and maintain ESG management systems²⁷ which:

- assess the impact of all new investments on ESG matters as an integral part of the investment appraisal process;
- give new investments a risk rating on ESG issues to determine the appropriate level of management and monitoring;
- if an investment is made despite identified shortcomings in relation to ESG issues, or if any issues would arise during the investment period, assist the portfolio company concerned to develop an action plan to address such issues, with appropriate targets and timetable for improvements;
- encourage the managers of portfolio companies to work towards continuous improvements in these areas, with targets for improvements as appropriate;

²³ Except, in the case of tobacco production only, with an appropriate timeframe for phase-out.

²⁴ For the purposes of the Investment Code, "Fund Manager" means (i) investment fund managers managing capital on behalf of CDC; (ii) financial institutions managing and/or investing capital on behalf of CDC; and (iii) other intermediated institutions managing and/or investing capital on behalf of CDC.

²⁵ By side letter or equivalent agreement. An example of the standard CDC side letter agreement is available on CDC's website. See www.cdcgroup.com.

²⁶ A Fund Manager will be deemed to have significant influence over a portfolio company where its fund has (i) an ownership interest in the portfolio company in excess of 20%, which is presumed to be a level that allows for participation in the financial and operating policies of a portfolio company (if the percentage is lower but gives rise to the same participation, this will also meet the definition of significant influence); or (ii) board representation to a level that allows for participation in determining the financial and operating policies of the portfolio company; or (iii) rights to influence the financial and operating policy decisions of the portfolio company pursuant to a shareholders' or similar agreement.

²⁷ Further guidance on ESG management systems and assessments is provided in CDC's Toolkit for Fund Managers, see www.cdcgroup.com. Guidance on environmental and social management systems and assessments is provided in IFC Performance Standard 1, see www.ifc.org/ifcext/enviro.nsf/Content/PerformanceStandards. ISO 14001 is a certifiable international standard to help organizations minimize how their operations negatively affect the environment, see www.iso.org.

- encourage the managers of portfolio companies to adopt and implement policies relating to ESG matters, particularly where businesses entail significant risks;
- monitor portfolio companies' performance on ESG matters and their progress towards relevant action plans and targets for improvements;
- monitor and record incidents involving portfolio companies that result in loss of life, material effect on the environment, or material breach of law, and promote appropriate corrective actions; and
- consider sections 1 – 3 of this Investment Code in all investment and divestment activities.

To demonstrate the implementation of this Investment Code, CDC requires its Fund Managers to:

- report annually on the implementation of their ESG management systems and on the performance of portfolio companies against sections 1 – 3 of this Investment Code in a format acceptable to CDC;²⁸
- set targets for improvements where appropriate; and
- as soon as possible inform CDC about incidents involving portfolio companies that result in loss of life, material effect on the environment, or material breach of law, and any corrective actions taken.

5. MANAGEMENT SYSTEMS FOR CDC

CDC will:

- assist its Fund Managers as appropriate to establish and maintain ESG management systems;
- monitor the implementation of the Investment Code through its Fund Managers' annual reports, with verifications as appropriate;
- evaluate its Fund Managers' implementation of the Investment Code periodically, using internal and external sources as appropriate, usually:
 - at the end of a fund's investment period or the half-way point of the duration of a fund, which would typically be 5 years after a standard fund has commenced; and
 - at the end of the duration of a fund, which would typically be 10 years after a standard fund has commenced;
- in instances where CDC invests directly and independently, establish and maintain ESG management systems substantially similar to those described above for its Fund Managers;
- consider the cumulative effects of CDC's investments with respect to the Investment Code and:

²⁸ A suggested format for ESG reporting is available on CDC's website, while other reporting formats could be acceptable. See www.cdcgroup.com.

- minimise adverse effects;
 - maximise development impact; and
 - promote synergies;
- identify major risks and opportunities associated with climate change in investments and potential investments made by its Fund Managers and proactively promote through those Fund Managers the application of international best practice standards in the reduction of emissions of greenhouse gases;²⁹
 - incorporate lessons learned into CDC's future investment strategy;
 - keep up-to-date on new developments with respect to relevant international agreements and best practice standards; and

review this Investment Code periodically to ensure its continuing suitability and effectiveness.

²⁹ In line with the UN Framework Convention, as may be amended from time to time, and including IFC Performance Standards, IFC EHS Guidelines, and ISO 14064-65, as may be amended from time to time and adopted by CDC. See www.unfccc.int/2860.php, www.ifc.org/ifcext/enviro.nsf/Content/PerformanceStandards, www.ifc.org/ifcext/policyreview.nsf/Content/EHSGuidelinesUpdate and www.iso.org.